

Company registration number: 02938041

Mitie Facilities Services Limited

Annual Report and Financial Statements

For the year ended 31 March 2015

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Mitie Facilities Services Limited
Company information

02938041

Directors

S C Baxter
M A Freeman
R McGregor-Smith
P W Stirland
J S Sheridan

Company Secretary

Mitie Company Secretarial Services Limited

Registered office

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
England
BS16 7FN

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditors
London
United Kingdom

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

Review of the business

The principal activity of the Company continues to be the management and provision of business support services. There have been no significant changes in the Company's principal activities in the year under review and the directors are not aware of any likely major changes. As shown in the Company's Profit and Loss Account on page 7, the Company's sales have increased due to the transfer of business from Mitie Technical Facilities Management Limited.

During the financial year the Company purchased £1.8m shares in Mitie Compliance Ltd and disposed of £0.05m of shares in Mitie Industrial Cleaning North) Ltd.

Key performance indicators

The Group manages its operations on a divisional basis. For this reason, the Company's directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the Group's annual report which does not form part of this report.

Principal risks and uncertainties

The Company is part of the Mitie Group and manages its risks within the Mitie Group Risk Framework. Details of the principal risks and uncertainties are given in the Mitie Group plc annual report. The directors have reviewed the financial risk management objectives and policies of the Company in the light of the Group Risk Framework. The directors do not believe there to be any other significant risks.

Financial risk management

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The Company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall Mitie Group plc financing arrangements.

Future developments

The directors expect the general level of activity to remain consistent with 2015 in the forthcoming year.

Post balance sheet events

There have been no significant events since the balance sheet date.

Approved by the Board and signed on its behalf by:



M A Freeman
Director
29 June 2015

The directors present the annual report and audited financial statements of Mitie Facilities Services Limited ("the Company") for the year ended 31 March 2015.

Dividends

Dividends for each share class were declared as follows:

Ordinary: £1.79 per share (2014: £0.74 per share)

Going Concern

The directors have considered the forecast results and associated cash flows for the foreseeable future, being the period not less than 12 months from the date of signing of these financial statements. The directors have considered the facilities available to the Company and believe that they can operate within the facilities available for the period of the cash flow forecast. Accordingly, the directors consider it appropriate to adopt the going concern basis in the preparation of the Company's financial statements.

Payment of creditors

The Company manages its procurement and supply chain with increasing consideration of its impact on the Company's profitability, reputation and sustainability objectives and is committed to proactively developing mutually beneficial and sustainable trading relationships with all of our stakeholders, based on a foundation of trust and co-operation.

Environment

Mitie Group plc and its subsidiaries endeavour to identify, monitor and manage the impact of their activities on the environment and are fully committed to environmental accountability and protection. The Company operates in accordance with Group policies, which are described in the Group's annual and sustainability reports which do not form part of this report.

Directors

The directors who served during the year were:

	Date of appointment	Date of resignation
S C Baxter	-	-
R Couzens	-	19/01/2015
M A Freeman	-	-
R McGregor-Smith	-	-
P W Stirland	-	-
J S Sheridan	19/01/2015	-

Disclosure of information to the auditor

Each of the directors in office as of the date of approval of this report confirms that:

- so far as he/she is aware, there is no relevant audit information (being information required by the auditor in the preparation of their report) of which the Company's auditor is unaware; and
- he/she has each taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

This confirmation is given, and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Appointment of auditor

Deloitte LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and Financial Statements. The directors have elected to prepare financial statements in accordance with UK GAAP. The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company, safeguarding the assets, taking reasonable steps for the prevention and detection of fraud and other irregularities, and the preparation of a Strategic Report and Directors' report which complies with the relevant requirements of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



M A Freeman
Director
29 June 2015

Independent auditor's report to the members of Mitie Facilities Services Limited

We have audited the financial statements and the statement of total recognised gains and losses of Mitie Facilities Services Limited for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of total recognised gains and losses and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Mitie Facilities Services Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Colin Hudson (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 June 2015

Mitie Facilities Services Limited
Profit and loss account
For the year ended 31 March 2015

02938041

	Note	2015 £'000	2014 £'000
Turnover	1	506,451	200,895
Cost of sales		(482,913)	(197,481)
Gross profit		<u>23,538</u>	<u>3,414</u>
Administration expense		(8,828)	(5,828)
Operating profit/(loss)	2	14,710	(2,414)
Income from shares in group undertakings		53,604	45,642
Exceptional administrative costs		(386)	-
Profit on ordinary activities before interest and taxation		<u>67,928</u>	<u>43,228</u>
Interest receivable and similar income	5	365	1,112
Interest payable and similar charges	5	(218)	(111)
Profit on ordinary activities before taxation		<u>68,075</u>	<u>44,229</u>
Tax on profit on ordinary activities	6	(3,043)	514
Profit for the financial year	15	<u><u>65,032</u></u>	<u><u>44,743</u></u>

The results for the year are wholly attributable to the continuing operations of the Company.

Mitie Facilities Services Limited
Statement of total recognised gains and losses
For the year ended 31 March 2015

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	Note	2015 £'000	2014 £'000
Profit for the financial year		65,032	44,743
Actuarial losses on defined benefit pension schemes	20	(112)	(220)
Deferred tax attributable to actuarial losses		23	52
Total recognised gains relating to the year		64,943	44,575

Mitie Facilities Services Limited
Balance sheet
As at 31 March 2015

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	Note	2015 £'000	2014 £'000
Fixed assets			
Investments	8	367,704	365,935
Intangible assets	9	615	2,519
Tangible assets	10	2,886	505
		<u>371,205</u>	<u>368,959</u>
Current assets			
Stocks	11	-	25
Debtors	12		
- due within one year		105,447	35,744
- due after one year		1,061	1,323
Cash at bank and in hand		19,680	25,475
		<u>126,188</u>	<u>62,567</u>
Creditors: amounts falling due within one year	13	<u>(116,954)</u>	<u>(47,442)</u>
Net current assets		<u>9,234</u>	<u>15,125</u>
Total assets less current liabilities		<u>380,439</u>	<u>384,084</u>
Net assets excluding pension (liability)/asset		380,439	384,084
Pension (liability)/asset	20	(31)	50
Net assets		<u>380,408</u>	<u>384,134</u>
Share capital and reserves			
Called-up share capital	14	38,750	38,750
Share premium account	15	286,513	286,513
Profit and loss account	15	55,145	58,871
Shareholders' funds	16	<u>380,408</u>	<u>384,134</u>

The financial statements were approved by the board of directors and authorised for issue on 29 June 2015
Signed on its behalf by:



M A Freeman
Director

1. Accounting policies

The financial statements of the Company have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

As more fully detailed in the Directors' report, the Company's financial statements have been prepared on a going concern basis. The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding year.

Group accounts

Consolidated group financial statements have not been prepared as the Company has taken advantage of the exemption from this requirement, conferred by FRS 2, on the grounds that its accounts are consolidated in the larger group of Mitie Group plc. Accordingly, the financial statements present information about the Company as an entity and not as a group.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied. All turnover arises within the United Kingdom and Republic of Ireland, from the Company's principal activity. Turnover is recognised as services are delivered.

Operating leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Pension costs

The Company participates in the Mitie Group plc Pension Schemes. One of which is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of FRS 17 ('Retirement Benefits'), the Company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the Company is accounting for contributions to the scheme as if it were a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year. Where the Company can separately identify its share of the underlying assets and liabilities of any defined benefit schemes to which it contributes, the Company accounts for these schemes as required by FRS 17 with the cost of providing benefits determined using the Projected Unit Credit Method, based on actuarial valuations carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and presented in the statement of total recognised gains and losses. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Where the scheme is fully funded no asset or liability is recognised in the balance sheet.

1. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share-based payments

The Company participates in a number of Mitie Group plc executive and employee share option schemes. For all grants of share options, the fair value as at the date of grant is calculated using the appropriate valuation model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of shares that will actually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit, being between 3 and 5 years (2014: 3 and 5 years). Provision is made for any impairment identified as necessary.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of the assets over their estimated useful lives and is calculated on a straight-line basis as follows:

Plant, office equipment and motor vehicles	3 to 8 Years (2014: 3 to 8 years)
Motor Vehicles	3 to 4 Years (2014: 3 to 4 Years)

Stock

Stock and work in progress are valued at the lower of cost or net realisable value. Cost represents materials, direct labour and overheads incurred in bringing the inventories to their present condition and location. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

Long-term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts receivable as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long term contract balances in stock. Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

Mitie Facilities Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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1. Accounting Policies (continued)

Cash flow statement

The Company has taken the exemption from the requirement to prepare a cash flow statement, as it is included within the consolidated financial statements of Mitie Group plc and greater than 90% of the voting rights of the Company are held by Mitie Group plc.

2. Operating profit/(loss)

	2015	2014
	£'000	£'000
Operating profit/(loss) is stated after charging		
Depreciation of tangible fixed assets:		
owned	1,388	197
Loss on disposal of tangible fixed assets	-	15
Amortisation of intangible assets	444	414
Operating lease rentals:		
plant and machinery	-	250
other	57	510
Fees payable to the Company's auditor for the audit of the Company's annual accounts	67	67
	<u> </u>	<u> </u>

The Company has taken the exemption available to it not to disclose separately information about fees for non-audit services provided to the Company as this information is available in the consolidated financial statements of Mitie Group plc

3. Employees

The average number of persons (including directors) employed by the Company during the financial year was:

	2015	2014
	No.	No.
Operations	390	485
Administration	554	154
	<u> </u>	<u> </u>
	<u>944</u>	<u>639</u>

Employment cost

	£'000	£'000
Wages and salaries	34,599	16,372
Social security costs	3,758	1,632
Termination and redundancy costs	198	154
Other pension costs	2,181	1,067
Share-based payments	728	240
	<u> </u>	<u> </u>
	<u>41,464</u>	<u>19,465</u>

Mitie Facilities Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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4. Directors

	2015	2014
	£'000	£'000
The emoluments of the directors of the Company were:		
- Aggregate emoluments	1,281	1,150
- Aggregate value of contributions paid to a money purchase pension scheme	10	34
	<u>1,291</u>	<u>1,184</u>
	<u><u>1,291</u></u>	<u><u>1,184</u></u>
	2015	2014
	No.	No.
The number of directors who:		
- Were members of a defined benefit pension scheme	3	2
- Were members of a defined contribution pension scheme	1	1
	<u>1</u>	<u>1</u>
	<u><u>1</u></u>	<u><u>1</u></u>
	2015	2014
	£'000	£'000
Highest paid director:		
- Aggregate emoluments	510	455
	<u>510</u>	<u>455</u>
	<u><u>510</u></u>	<u><u>455</u></u>

The highest paid director did not exercise any share options in the year.

The highest paid director is a member of the Mitie Group plc defined benefit pension scheme and had accrued entitlements of £42,000 (2014: £38,000) and an accrued lump sum of £nil (2014: £nil) at the end of the year.

The following directors are also directors or employees of another group company. They are remunerated by the company shown. It is not practicable to allocate their remuneration between their services as directors of the company and as directors or employees of other group companies.

Director	Remunerated by
S C Baxter	Mitie Group plc
R McGregor-Smith	Mitie Group plc

Mitie Facilities Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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5. Interest

	2015	2014
	£'000	£'000
<i>Interest receivable and similar income</i>		
Bank interest	343	1,094
Net pension scheme interest income	22	18
Other	-	-
	<u>365</u>	<u>1,112</u>
	<u><u>365</u></u>	<u><u>1,112</u></u>
<i>Interest payable and similar charges</i>		
Bank interest	(218)	-
Other	-	(111)
	<u>(218)</u>	<u>(111)</u>
	<u><u>(218)</u></u>	<u><u>(111)</u></u>

6. Tax on profit on ordinary activities

	2015 £'000	2014 £'000
(a) Analysis of charge/(credit) in the year		
United Kingdom corporation tax 21 % (2014: 23%)	3,511	(403)
Adjustment in respect of prior years	(108)	(253)
	<hr/>	<hr/>
Total current tax (Note 6(b))	3,403	(656)
Deferred taxation:		
Timing differences - origination and reversal	(295)	28
Adjustment in respect of prior years	(65)	114
	<hr/>	<hr/>
Tax on profit on ordinary activities	3,043	(514)
	<hr/> <hr/>	<hr/> <hr/>

(b) Factors affecting tax charge/(credit) in the year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	68,075	44,229
	<hr/> <hr/>	<hr/> <hr/>
Tax at 21% (2014: 23%) thereon:	14,296	10,173
Expenses not deductible for tax purposes	111	3
Differences between capital allowances and depreciation	175	(71)
Relief in respect of employee share options	(28)	(63)
Non-taxable income from shares in group undertakings	(11,208)	(10,498)
Other timing differences	165	53
Adjustments to tax charge in respect of prior year	(108)	(253)
	<hr/>	<hr/>
Current tax charge/(credit) for the year (Note 6(a))	3,403	(656)
	<hr/> <hr/>	<hr/> <hr/>

From 1 April 2015 the main rate of corporation tax reduced to 20%. This is the rate used to calculate the deferred tax balance as it was substantively enacted at the balance sheet date, There are no further announced changes to the main rate of corporation tax.

Mitie Facilities Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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6. Tax on profit on ordinary activities (continued)

	2015	2014
	£'000	£'000
<i>The deferred tax balance comprises the following:</i>		
Depreciation in excess of capital allowances	224	(8)
Share-based payment timing difference	207	71
Other timing differences	20	5
	<u>451</u>	<u>68</u>
Total deferred tax asset	<u>451</u>	<u>68</u>
Amount (credited)/charged to the profit and loss account in the year in relation to deferred tax	<u>(360)</u>	<u>142</u>

7. Dividends

	2015	2014
	£'000	£'000
The dividends approved and paid in the year were:		
Ordinary shares - £1.79 per share (2014:£0.74)	69,481	28,702
	<u>69,481</u>	<u>28,702</u>

Mitie Facilities Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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8. Investments

	2015 £'000	2014 £'000
At start of year	365,935	365,935
Additions	1,820	-
Disposals	(51)	-
	<hr/>	<hr/>
At end of year	<u>367,704</u>	<u>365,935</u>

During the year the Company have purchased £1.8m of shares in Mitie Compliance Ltd and have disposed of £0.05m of shares within Mitie Industrial Cleaning (North) Limited.

The investments balance at 31 March 2015 represented interests in the following companies:

Name of undertaking	Principal Activity	Class of shares held	% of shares held	% of voting rights held	Country of incorporation
Catering Partnership Holdings Limited	Provider of FM	£1.00 ordinary	100%	100%	UK
Direct Enquiries Holdings Limited	Provider of FM	£1.00 ordinary A	17%	17%	UK
Direct Enquiries Holdings Limited	Provider of FM	£1.00 ordinary	34%	34%	UK
Direct Enquiries Holdings Limited	Provider of FM	£0.01 redeemable	0%	0%	UK
Mitie Business Services Limited	Provider of FM	£0.01 ordinary A	51%	51%	UK
Mitie Business Services Limited	Provider of FM	£0.01 ordinary B	49%	49%	UK
Mitie Business Services Limited	Provider of FM	£1.00 Deferred	0%	0%	UK
Mitie Catering Services Limited	Provider of FM	£1.00 ordinary A	0%	0%	UK
Mitie Care and Custody Limited	Provider of FM	£1.00 ordinary A	1%	1%	UK
Mitie Client Services Limited	Provider of FM	£1.00 ordinary A	6%	6%	UK
Mitie Cleaning Services Limited	Provider of FM	£1.00 ordinary A	36%	36%	UK
Mitie Cleaning Services Limited	Provider of FM	£1.00 ordinary B	10%	10%	UK
Mitie Document Solutions Limited	Provider of FM	£1.00 ordinary A	17%	17%	UK
Mitie Document Solutions Limited	Provider of FM	£1.00 ordinary B	3%	3%	UK
Mitie Landscape (Northern) Limited	Provider of FM	£1.00 ordinary A	51%	51%	UK
Mitie Landscape (Northern) Limited	Provider of FM	£1.00 ordinary B	49%	49%	UK
Mitie Landscape (Southern) Limited	Provider of FM	£1.00 ordinary A	51%	51%	UK
Mitie Landscape (Southern) Limited	Provider of FM	£1.00 ordinary B	49%	49%	UK
Mitie Landscapes Limited	Provider of FM	£1.00 ordinary A	0%	0%	UK
Mitie Landscapes Limited	Provider of FM	£1.00 ordinary B	50%	50%	UK
Mitie Managed Services Limited	Provider of FM	£0.01 ordinary	100%	100%	UK
Mitie Managed Services Limited	Provider of FM	£1.00 deferred	0%	0%	UK
Mitie Managed Services (Southern) Limited	Provider of FM	£1.00 ordinary	100%	100%	UK

Mitie Facilities Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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8. Investments (continued)

Name of undertaking	Principal Activity	Class of shares held	% of shares held	% of voting rights held	Country of incorporation
Mitie Managed Services (South West and Wales) Limited	Provider of FM	£1.00 ordinary A	1%	1%	UK
Mitie Managed Services (South West and Wales) Limited	Provider of FM	£1.00 ordinary B	18%	18%	UK
Mitie Pest Control (London) Limited	Provider of FM	£1.00 ordinary A	1%	1%	UK
Mitie Pest Control Limited	Provider of FM	£1.00 ordinary	100%	100%	UK
Mitie PFI Limited	Provider of FM	£1.00 ordinary A	61%	61%	UK
Mitie PFI Limited	Provider of FM	£1.00 ordinary B	39%	39%	UK
Mitie Payroll Services Limited	Provider of FM	£1.00 ordinary	100%	100%	UK
Mitie Resources Limited	Provider of FM	£1.00 ordinary	100%	100%	UK
Mitie Security Holdings Limited	Provider of FM	£1.00 ordinary A	42%	42%	UK
Mitie Services (Retail) Limited	Provider of FM	£1.00 ordinary A	1%	1%	UK
Mitie Services (Retail) Limited	Provider of FM	£1.00 ordinary B	7%	7%	UK
Mitie Technical Facilities Management Holdings Limited	Provider of FM	£1.00 ordinary	1%	1%	UK
Mitie TS2 Limited	Provider of FM	£0.001 ordinary B	100%	100%	UK
Mitie Transport Services Limited	Provider of FM	£1.00 ordinary A	17%	17%	UK
Mitie Transport Services Limited	Provider of FM	£1.00 ordinary B	17%	17%	UK
Mitie Transport Services Limited	Provider of FM	£1.00 ordinary C	2%	2%	UK
Mitie Compliance Limited	Provider of FM	£1.00 ordinary	100%	100%	UK

The Company has taken advantage of Section 400 of the Companies Act 2006 and therefore no consolidated financial statements.

Mitie Facilities Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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9. Intangible fixed assets

	£'000
Cost	
At start of year	3,165
Additions	274
Transfers to tangible assets	(1,734)
	<hr/>
At end of year	1,705
	<hr/> <hr/>
Amortisation	
At start of year	646
Charge for the year	444
	<hr/>
At end of year	1,090
	<hr/> <hr/>
Net book value	
At 31 March 2015	615
	<hr/> <hr/>
At 31 March 2014	2,519
	<hr/> <hr/>

10. Tangible fixed assets

	Plant and office equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At start of year	842	72	-	914
Additions	8	-	1,148	1,156
Disposals	(158)	-	-	(158)
Transfers from group companies	1,634	-	-	1,634
Transfers from intangible assets	1,734	-	-	1,734
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	4,060	72	1,148	5,280
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At start of year	385	24	-	409
Charge for the year	1,369	19	-	1,388
Disposals	(158)	-	-	(158)
Transfers in from group companies	755	-	-	755
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	2,351	43	-	2,394
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2015	1,709	29	1,148	2,886
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2014	457	48	-	505
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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11. Stocks

	2015	2014
	£'000	£'000
Raw materials	-	25
	<u>-</u>	<u>25</u>
	<u>-</u>	<u>25</u>

12. Debtors

	2015	2014
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Trade debtors	12,130	14,936
Amounts recoverable on contracts	959	1,275
Amounts owed by Group undertakings	43,616	3,814
Other debtors	1,268	1,471
Prepayments and accrued income	46,992	13,668
Corporation tax	28	512
Deferred tax asset	454	68
	<u>105,447</u>	<u>35,744</u>
	<u>105,447</u>	<u>35,744</u>
<i>Amounts falling due after more than one year:</i>		
Amounts recoverable on contracts	1,061	1,323
	<u>1,061</u>	<u>1,323</u>
	<u>1,061</u>	<u>1,323</u>

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13. Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Trade creditors	2,428	524
Amounts owed to Group undertakings	55,965	15,241
Corporation tax	3,530	-
Other taxation and social security	17,869	15,634
Other creditors	784	321
Accruals and deferred income	36,378	15,722
	<u>116,954</u>	<u>47,442</u>

14. Called-up share capital

	2015	2014
	£'000	£'000
Allotted and called-up share capital		
38,750,002 £1 Ordinary shares	38,750	38,750
	<u>38,750</u>	<u>38,750</u>

15. Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At start of year	286,513	58,871
Profit for the financial year	-	65,032
Dividends paid	-	(69,481)
Capital contribution relating to share-based payments	-	728
Net actuarial loss on pension	-	(5)
	<u>286,513</u>	<u>55,145</u>
At end of year	<u>286,513</u>	<u>55,145</u>

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16. Reconciliation of movement in shareholders' funds

	2015	2014
	£'000	£'000
Profit for the financial year	65,032	44,743
Dividends paid on equity shares	(69,481)	(28,702)
Net actuarial gain on pension scheme	(5)	(172)
Capital contribution relating to share-based payments	728	240
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(3,726)	16,109
Opening shareholders' funds	384,134	368,025
	<hr/>	<hr/>
Closing shareholders' funds	<u>380,408</u>	<u>384,134</u>

17. Financial commitments

Operating leases

The Company has annual lease commitments under non-cancellable operating leases as detailed below:

	2015		2014	
	Land and buildings	Other	Land and buildings	Other
Expiry date:	£'000	£'000	£'000	£'000
- in less than one year	221	57	-	82
- between two and five years	274	222	43	119
- after five years	-	-	207	242
	<hr/>	<hr/>	<hr/>	<hr/>
	495	279	250	443
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Commitments on behalf of group undertakings

The Company is party with other group undertakings to cross-guarantees of each other's bank overdrafts and loans.

	2015	2014
	£'000	£'000
Overall commitment	277,447	261,814
	<hr/> <hr/>	<hr/> <hr/>

18. Share-based payments

The Company participates in the following Mitie Group plc share option schemes:

The Mitie Group plc 2011 Executive share option scheme

The Executive Share Option Scheme exercise price is equal to the average market value of the shares on the business day preceding grant or, if the Remuneration Committee decided, the average market value of share over a number of preceding business days (not to exceed 20). The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the group. Before options can be exercised, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three-year period.

The Mitie Group plc 2001 Savings Related share option scheme

The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the scheme are issued. For options granted prior to September 2008, the vesting period is five years. For options granted in September 2008 and thereafter, the vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

The Mitie Group plc 2011 SAYE Scheme

The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares determined using either: the share price preceding the date on which invitations to participate in the scheme are issued; or an average share price over five days preceding the invitation date. The vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

The Mitie Group plc Long Term Incentive Plan (LTIP)

The LTIP was introduced in 2007. The awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options the exercise price is nil. The vesting period is three years. If the awards remain unexercised after a period of four years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the group. Before the awards can be exercised, a performance condition must be satisfied which are based on movements in a range of market and non-market measures over a three year period.

The Share Incentive Plan (SIP)

The SIP was introduced in 2011 and is a non-discretionary scheme open to all eligible UK resident employees. Under the scheme, eligible employees are invited to invest in Partnership Shares which are purchased in the market on their behalf and held in a UK employee benefit trust. One Matching Share is awarded for every ten Partnership Shares purchased and has a holding period of three years. Matching Shares are funded by way of market purchases.

The Conditional Share Plan (CSP)

The CSP was introduced in 2014 and is a discretionary scheme. The awards of shares or the rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options, the exercise price is nil. The vesting period is determined at the discretion of the Remuneration Committee and, for the 2014 scheme, is three years. If the awards remain unexercised after a period of ten years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the group.

18. Share-based payments (continued)

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at beginning of the year	1,361,738	129	1,245,905	166
Granted	926,500	116	502,696	128
Forfeited	(364,195)	56	(154,894)	76
Transferred from/(to) group companies	558,888	149	(12,675)	129
Exercised	(160,131)	208	(216,066)	166
Cancelled			(3,228)	-
	<u>2,322,800</u>	<u>133</u>	<u>1,361,738</u>	<u>129</u>
Exercisable at end of year	<u>245,011</u>	<u>226</u>	<u>124,038</u>	<u>171</u>

The Company recognised the following expense related to share-based payments:

	2015 £'000	2014 £'000
Discretionary schemes	658	224
Non-discretionary schemes	70	16
	<u>728</u>	<u>240</u>

	2015	2014
The weighted average share price at the date of exercise for share options exercised during the year was : (p)	303	296
The options outstanding at the year-end had a weighted average price of: (p)	133	129
The options outstanding at the year-end had a weighted average remaining contractual life of: (years)	<u>4</u>	<u>4.4</u>

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18. Share-based payments (continued)

The Company recognised the following expense related to share-based payments:

The Company granted options under the following schemes in the year:

	2015	2014
	£'000	£'000
Fair value		
Discretionary schemes	858	616
Non-discretionary	86	46
	<u> </u>	<u> </u>

The fair value of options is measured by use of the Black-Scholes model or the Monte Carlo model. The inputs into the models are as follows:

	2015	2014
Black-Scholes		
Share price (p)	219 - 313	219 - 274
Exercise price (p)	0 - 319	0 - 254
Expected volatility (%)	30 - 32	30 - 32
Expected life (years)	3 - 5	3 - 5
Risk-free rate (%)	0.55 - 1.48	0.55 - 1.48
Expected dividends (%)	3.5 - 4.1	3.5 - 4.1
Monte-Carlo		
Share price (p)	251 - 319	251
Average correlation with TSR benchmark (%)	29 - 32	32
Expected volatility (%)	21 - 24	24
Expected life (years)	3	3
Risk-free rate (%)	0.64 - 1.29	0.64
Expected dividends (%)	3.5 - 4.1	4.1

Expected volatility was based on historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

19. Pension arrangements

The Company participates in the Mitie Group plc Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. For the purposes of Financial Reporting Standard 17 ('Retirement Benefits'), the Company has been unable to identify its share of the underlying assets and liabilities in the main Group scheme on a consistent and reasonable basis. Therefore the Company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 36 to the Annual Report of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £34.9 million (2014: deficit of £17.0 million).

Employer contributions to the scheme for the year are shown in note 25. The agreed contribution rate for employee and employer contributions for the next 12 months is 22.3% (2014: 18.5%).

20. Pension liability

Other defined benefit schemes

These valuations are updated by the actuaries, the related current service and past service costs were measured using the projected unit credit method. For Admitted Body Schemes, which are all part of the Local Government Pension Scheme, the Company will only participate for a finite period up to the end of the contracts. The Company is required to pay regular contributions as decided by the relevant Scheme Actuary and detailed in the Scheme's Schedule of Contributions.

The contributions made by the employer over the financial period were £nil (2014: £nil).

Key assumptions used for FRS 17 valuation:	2015	2014
	%	%
Discount rate	3.4	4.5
Expected return on scheme assets:		
- Equity instruments	-	7.5
- Debt instruments	-	4.5
- Property	-	7.0
- Other assets	-	2.5
Expected rate of salary increases	3.05	2.0
Future pension increases	2.05	3.4
Inflation (RPI)	3.05	3.4
Inflation (CPI)	2.05	2.4

The overall expected return on assets is calculated as the weighted average of the expected return of each asset class. The expected return on equities is the sum of dividend growth and capital growth net of investment expenses. The return on gilts and bonds is the current market yield on long term bonds. Expected return on property has been set equal to that expected on equities less a margin. The expected return on other assets is the rate earned by the scheme on cash.

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20. Pension liability (continued)

Amounts recognised in administrative expenses in respect of these defined benefit schemes are as follows:

	2015	2014
	£'000	£'000
Current service cost	(24)	(15)
Effect of asset limit	3	(3)
	<u>(21)</u>	<u>(18)</u>

Amounts recognised in interest in respect of these defined benefit schemes are as follows:

	£'000	£'000
Interest cost	(28)	(26)
Expected return on scheme assets	50	44
	<u>22</u>	<u>18</u>

Amounts recognised in the statement of total recognised gains and losses are as follows:

	£'000	£'000
Actual return less expected return on scheme assets	(43)	(17)
Actuarial losses	(272)	-
Effect of asset limit	203	(203)
	<u>(112)</u>	<u>(220)</u>

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20. Pension Liability (Continued)

The amounts included in the balance sheet arising from the Company's obligations in respect of its defined benefit retirement benefit schemes are as follows:

	2015	2014
	£'000	£'000
Fair value of scheme assets	910	866
Present value of defined benefit obligations	(941)	(610)
	<hr/>	<hr/>
(Deficit)/Surplus in the scheme	(31)	256
Effect of asset limit	-	(206)
	<hr/>	<hr/>
Net pension (liability)/asset	(31)	50
	<hr/> <hr/>	<hr/> <hr/>
	£'000	£'000
Analysis of scheme assets		
Equity instruments	354	371
Debt instruments	473	415
Property	59	53
Other assets	24	27
	<hr/>	<hr/>
At 31 March 2015	910	866
	<hr/> <hr/>	<hr/> <hr/>

Movements in the present value of defined benefit obligations were as follows:

	£'000	£'000
At start of year	610	565
Service costs	24	15
Interest costs	28	26
Contributions from scheme members	12	9
Actuarial losses	272	-
Benefits paid	(5)	(5)
	<hr/>	<hr/>
At end of year	941	610
	<hr/> <hr/>	<hr/> <hr/>

20. Pension liability (continued)

Movements in the fair value of scheme assets were as follows:

	£'000	£'000
At start of year	866	822
Expected return on scheme assets	50	44
Actuarial losses	(43)	(17)
Contributions from sponsoring companies	30	9
Contributions from scheme members	12	13
Benefits paid	(5)	(5)
	<u> </u>	<u> </u>
At end of year	<u>910</u>	<u>866</u>

The history of experience adjustments is as follows:

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	910	866	822	709	620
Present value of defined benefit obligations	(941)	(610)	(566)	(462)	(403)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Surplus in scheme	<u>(31)</u>	<u>256</u>	<u>256</u>	<u>247</u>	<u>217</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Experience adjustments on scheme liabilities (£'000)	(142)	0	62	16	82
Experience adjustments on scheme assets (£'000)	(43)	(17)	52	27	49
Percentage of scheme assets	(4.8)	(2.0)	6.0	4.0	8.0

21. Related party transactions

Set out below are the related party transactions with fellow members of Mitie Group plc. The Company has taken the exemption available under FRS 8 not to disclose transactions with other wholly-owned subsidiaries of Mitie Group plc. There were no transactions with entities other than members of Mitie Group plc which require disclosure under FRS 8.

Related Party	Nature of transaction	Transaction amount		Year end balance	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Mitie Business Services UK Limited	Sales	25	-	0	-
Mitie Care and Custody Limited	Sales	4	-	0	-
Mitie Catering Services Limited	Sales	67	-	(3)	-
Mitie Facilities Management Limited	Sales	148	-	8	-
Mitie Limited	Sales	3	46	20	24
Mitie Technical Facilities Management Limited	Sales	136,417	1823	0	715
Mitie Business Services UK Limited	Purchases	(12,000)	(5,570)	(819)	(6)
Mitie Catering Services Limited	Purchases	(25,456)	-	(728)	-
Creativevents Limited	Purchases	-	-	-	(84)
Mitie Events and Leisure Limited	Purchases	(1,972)	(805)	0	(2)
Mitie Facilities Management Limited	Purchases	(689)	-	(118)	-
Mitie Limited	Purchases	(2,593)	(914)	-	(32)
Mitie Technical Facilities Management Limited	Purchases	(214,241)	(183,269)	(32,685)	(15,497)
Mitie Waste and Environmental Services Limited	Purchases	(12,796)	(3,230)	(1,156)	(175)

22. Ultimate parent undertaking and controlling party

Mitie Group plc is the immediate controlling party and the directors regard Mitie Group plc, a company registered in Scotland, as the ultimate parent company and controlling party.

Mitie Group plc is the largest and smallest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.